

THE CITY OF WICHITA



OFFICE OF THE CITY MANAGER
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December 7, 1992

The Honorable Mayor and
Members of the City Council
City of Wichita
Wichita, Kansas

Dear Mayor and Council Members:

The operating and capital budgets represent the major financial policy decisions by the City Council each year. Their impact in terms of public services and capital project construction are key elements in the quality of life and economic vitality of the community.

Preparation of the **ADOPTED 1993/94 BUDGET** was particularly difficult. Recessionary pressures pushed the City's normal revenue growth downward at a time of increasing need for public safety and other services. Uncertainty about the (short- and mid-term) state of the national and local economy has made financial planning more problematic. More than ever before, the Council is facing the need to prioritize municipal services in terms of allocation of limited financial resources.

MAJOR BUDGET ISSUES

All elements of the annual budget are important. Detail on all municipal services and activities is contained in this adopted budget and supporting materials. Certain key issues, however, are highlighted as among the most important policy decisions addressed by the Council:

- **Public Safety Services** – enhancements were approved for 1992, and additional public safety improvements were adopted for 1993, to increase Police services to the public through reduced emergency call response times and greater Police neighborhood visibility.
- **City Mill Levy** – is 29.594 for 1993, slightly lower than the 29.607 mills that funded the 1992 Budget. A 2.5 mill increase in the General Fund was offset by a 2.5 mill reduction of the General Debt & Interest Fund (GD&I). The GD&I Fund is expected to increase from 7.6 mills for the 1993 Budget to 8.8 mills for 1994 and to 10.1 mills for 1995.
- **Other Fee Adjustments** – were adopted, notably in court fees (for cost recovery), building inspection permits, and a new water/sewer fee for public safety services provided to the utility.
- **Employee Wage/Benefit Improvements** – continue to be the subject of negotiations between the City and employee groups as the adopted budget document is published. The City's goal is a fair and competitive wage/benefit package. A lump sum estimate has been budgeted in anticipation of final agreements.



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FINANCIAL MANAGEMENT FOR THE FUTURE

For the last several years, the City has embarked on a concerted effort to model the private sector in financial and management practices. Revenue diversification has been emphasized to reduce reliance on the property tax by developing a mix of revenues which more closely matches the performance of the local economy. To better anticipate both short- and long-term financial trends, multi-year financial planning has been emphasized through a six-year *Financial Plan* (assisted by a new revenue forecasting model developed in conjunction with Wichita State University), two-year operating *Budget*, and ten-year *Capital Improvement Program*.

To guide the development of policy issues for presentation to the governing body, the City has adopted its second *Strategic Agenda* and will shortly commence development of the third. Performance measurement of the quality of programs/services was implemented in 1991, followed now by beginning initiatives in Total Quality Management. The City has worked, and will continue to work, diligently to explore avenues to provide quality public services at the least cost.

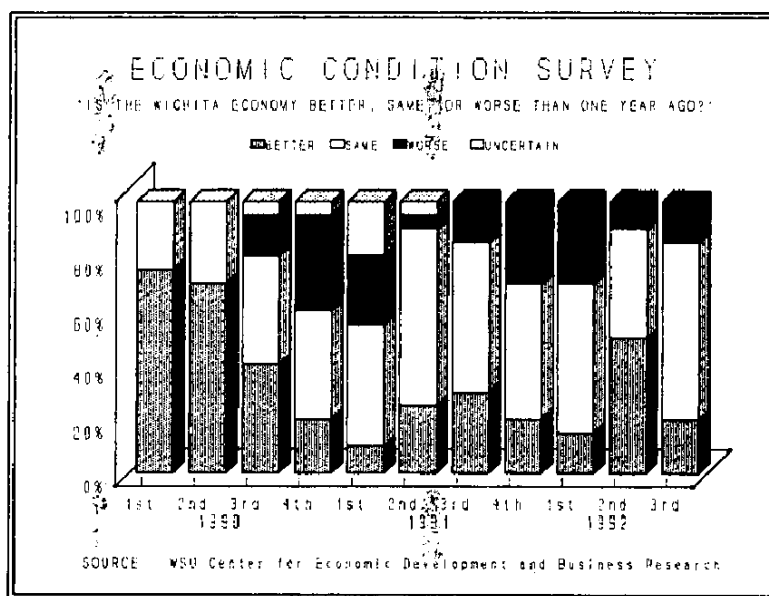
The current recession, unlike past economic downturns, is challenging private and public organizations alike to do more than make temporary adjustments, but to recognize a new economic reality. The recession has clearly signaled that greater competitiveness and permanent changes (cost reductions) from past business practices are necessary. The outcome from this recession is likely to be a fundamental realignment in our national (and local) economic picture.

Wichita has not been spared from the effects of the national recession as noted in the chart (at right) depicting the responses of area business leaders over the last ten quarters (1990, 1991, and the first three quarters of 1992). Clearly there is a high degree of fluctuation in assessment of economic trends.

Given recent announcements (since the 3rd Quarter of 1992 economic assessment) of increased local unemployment, it is likely that the next survey will show fluctuations in the status of the local economy. Wichita State University economists also report that it is typical for the

local economy to experience a delayed reaction to national economic trends. The local economic outlook, then, can only be characterized as uncertain, with prospects likely for a slow economic recovery. Local economic analyses also pointed to "structural changes" within the local economy as an underlying element in the decline in employment. This suggests that the local economy may be recovering from the recession, in part, through permanent downsizing.

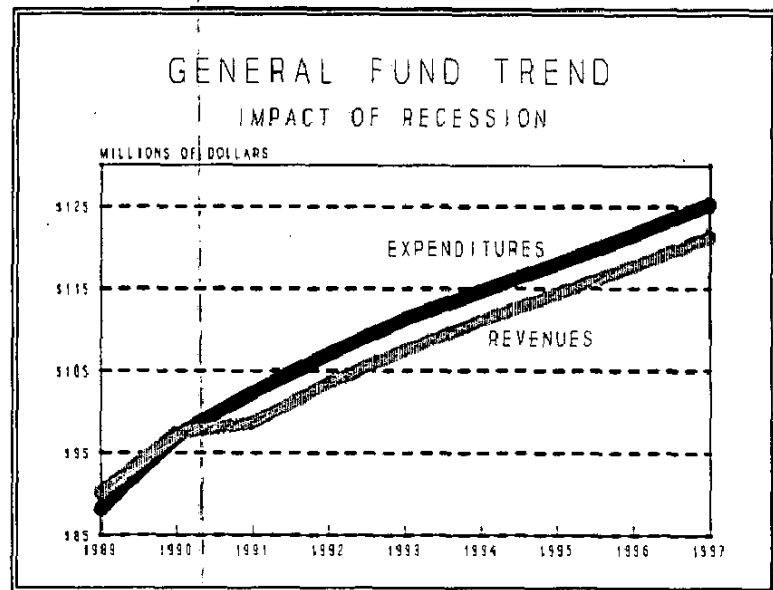
For the City budget, and the revenue stream upon which it relies, there should be no expectation of a return to "business as usual" following the recession. If the private sector is undertaking efforts to permanently streamline operations and costs to remain competitive, it stands to reason that the City will experience this in its tax revenues.



It should be stressed that Wichita has fared better than most other cities over the last two years; however, normal revenue growth has been significantly dampened. As Moody's Investor Service noted: "Even the best managed and least stressed governments are facing recurring structural imbalances that require fundamental changes rather than incremental adjustments." In other words, City government must address the new economic reality as much as the private sector.

As an indicator of how this translates into budgetary terms, even if the rate of revenue growth returns to a more normal level as shown in the chart (at right), it will be on a permanently lower revenue base. Pre-recession, it was expected that annual revenues would be equal to (or slightly above) annual expenditures. Post-recession, that will not be true.

Since expenditures cannot exceed revenues (for very long), this was an unacceptable financial future. This chart makes it clear that the City's financial choices were to either increase annual revenues, reduce expenditures, or both. The budget approved by the Council does both. The strategy adopted in this budget involves a temporary shift in mill levy support from capital program debt financing to fund an expanded critical municipal service, public safety. While the City Council balanced the budget through program reductions, and held taxes steady through the levy shift, the 1993 funding strategy is only temporary. The 1993 strategy has resulted in diminished resources in nearly every City department, and has reduced prospects to enhance non-public safety services that also improve quality of life. City programs/services are undergoing the very kind of "structural changes" being experienced elsewhere in the local economy.



The demand for new/expanded public services will not diminish nationally, or in Wichita. Economies and efficiencies cannot produce miracles, and a point will be reached in the future where the status quo can not be maintained or adjusted incrementally. As the community faces future decisions, it will be imperative for the City Council and citizens to prioritize local public services, knowing that this will mean some services will be sustained and others will receive a lower priority/funding (or perhaps will be eliminated altogether from public funding).

If the policy choice of the future is not to prioritize municipal services, then City government may find itself struggling to maintain too many services with too little resources. In that instance, the quality of public services can only suffer. Prioritization, of course, must recognize urban diversity. The City is not a single purpose government, but must respond to a range of public needs.

As the Moody's article also noted: "No local government can be stronger than its finances." Wichita city government is fortunate not to have to address the really difficult questions of public service level in a financial crisis atmosphere as other cities are now doing. But over the next several years, the City Council and public should be prepared to face some hard choices about what public services, and at what levels, the community is really willing and able to support in local taxes and other fees.

1992 REVISED BUDGET

The Budget includes revised estimates of current year (1992) revenues and expenditures. The procedure of revising the budget is an important element of financial management, designed to provide an updated estimate of revenue and expenditure trends in the current year and to improve budget development for the next year.

Due to the inclusion of the Capital Maintenance Investment Program as an "operating expense" (rather than as a one-time capital expense shown in earlier budget documents), and the additional 21 Police positions added to the 1992 Budget (in October 1991, after the 1992 Budget had been adopted), the 1992 Budget was projected to spend down reserves by \$1.7 million. A subsequent decline in revenues below projection has increased the 1992 General Fund negative position to more than \$3 million. The table (below) compares the "Adopted" and "Revised" General Fund revenues/expenditures.

<u>1992 GENERAL FUND</u>		
	<u>Adopted</u>	<u>Revised</u>
Revenues	\$105,032,370	\$103,953,080
Expenditures	106,726,440	107,024,760
Over/(Under)	(1,694,070)	(3,071,680)

On balance, the General Fund absorbed diminished revenues (due to the recession) and increased expenditures (primarily due to public safety) with no major reductions in other services/programs. It is clear, however, that the trend of large scale drawdowns in cash reserves cannot be sustained.

1993 ANNUAL BUDGET

The Adopted 1993 Budget totals \$214,968,020, a 1.9% increase over the adopted 1992 Budget of \$211,013,216. Both years are exclusive of sales tax expenditures for capital improvements, internal services, enterprise construction, and interfund transfers to eliminate double counting of expenditures and co-mingling of operating and capital expenses. The differences are primarily the result of public safety (primarily Police) enhancements, increases in employee wages/benefits, debt service expenses, and contractual costs.

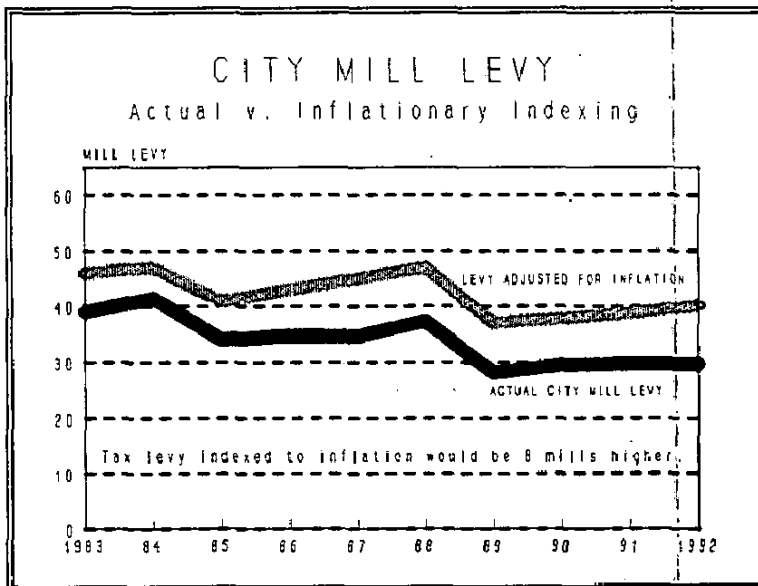
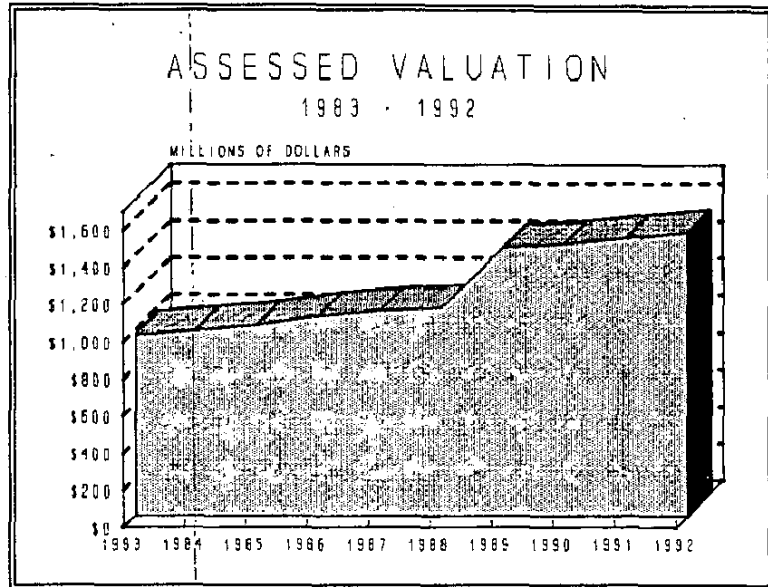
The adopted budget is balanced - operating expenditures are within operating revenues in keeping with City fiscal policies/practices. In all funds, total expenditures are equal to available resources as required by State law.

Total General Fund expenditures in 1993 are \$111,566,520, a 4.5% increase over the adopted 1992 General Fund of \$106,726,440 (this excludes the appropriated reserve for 1992 and 1993 to provide the most direct comparison of anticipated operating expenditures). The increase is attributable to funding for the 1992 and 1993 Public Safety Enhancements, employee wage/benefit increases, and increased costs for existing program/service levels. Absent the need to provide funding for increased public safety enhancements, the percentage increase in General Fund expenditures from 1992 to 1993 would have been 1.5% (less than the current rate of inflation).

PROPERTY TAX MILL LEVY

Assessed valuation is the measure of property values in the city for taxation purposes. The County has provided the final assessed value of \$1,512,479,545, which is a growth of 2.1% (\$30,732,532) in the addition of new property on the tax rolls in the past year. The City's rate of growth in assessed value has declined from earlier norms of 3% annually to near 2% for each of the last three years (since the implementation of the new property reappraisal/reclassification system).

Final assessed values are set by the County in September of each year, after City budget development is completed. The impact for 1993 was to adjust the total levy downward by .013 mills. The amount of taxes to be levied did not change, however, from the dollar amounts set by the City Council.



The levy required to finance the Adopted 1993 Budget is 29.595 mills, compared with 29.607 mills. Combining the cost of the Public Safety Enhancements approved for 1992 (\$1.4 million in unbudgeted costs) and 1993 (\$2.3 million local costs), the two-year increase in public safety expenses directly account for most of the need to increase the City's General Fund mill levy (temporarily offset by a one-year reduction in the GD&I Fund levy).

The adopted tax levy represents a continuation of stable City tax levies since 1989 (a 1991 adjustment was related to the implementation of reappraisal) when the City sought a

moderate tax increase to fund increased public safety and street maintenance. Through efficiency, productivity, and revenue diversification, the City has sought to reduce reliance on the property tax. As an example of the City's longstanding commitment to seek tax increases only for new/expanded services, if the City's tax levy had been indexed to inflation, City tax rates would have been more than 8 mills (35%) higher than current rates (the growth in assessed valuation is due to community growth through new development and annexation, not inflation). The City continues to have a lower tax levy than ten years ago.

On a comparative basis with the 23 other first class cities in Kansas, Wichita's 29.6 mill levy remains 11% below the 36.2 mill average. This average is based on 1991 mill levy information, and the average may go higher as other cities also adjust their levies for 1993 (Wichita's levy could actually be even further below the average of other Kansas cities than represented here).

In line with tax collections (post-reappraisal) the delinquency rate is maintained at 7% (higher than the City historical 5% tax delinquency rate pre-reappraisal). This trend may abate in future years after the effects of reappraisal are fully absorbed. The adopted City mill levy is allocated as outlined below:

<u>CITY TAX LEVY FUNDS</u>		
	<u>1992</u>	<u>1993</u>
General Fund	\$19.521	\$21.998
General Debt & Interest	10.086	7.596
Total Tax Levy (mills)	<u>29.607</u>	<u>29.594</u>

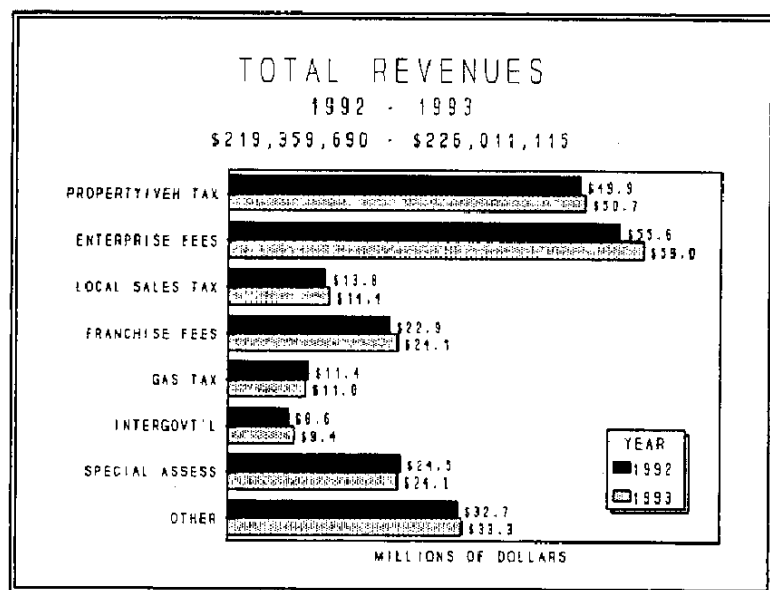
STATE PROPERTY TAX AND DEBT LID LAWS

The State has imposed a restriction on local governments: "aggregate" property tax revenues cannot exceed those raised in the (1989) base year for funds and purposes subject to the tax lid law (General Fund). The tax lid does not apply to the General Debt & Interest Fund which is subject to a separate State limit on outstanding indebtedness. The City has remained well below these statutory limits; the 1993 City Budget remains more than 2.7 mills below the operating budget lid and the City has utilized only 67% of its debt lid capacity. This self-restraint of local elected officials (the past and present City Council) has and will continue to be the best public protection against excessively high taxes.

1993 ADOPTED BUDGET REVENUES/EXPENDITURES

REVENUES: Budget revenues for 1993 of \$226,011,115, compared to 1992 revenues of \$219,359,690, are derived from the sources shown on the graph (at right). The 1993 Budget continues to identify new revenue sources to maintain and enhance existing services while mitigating some of the demands on property taxes.

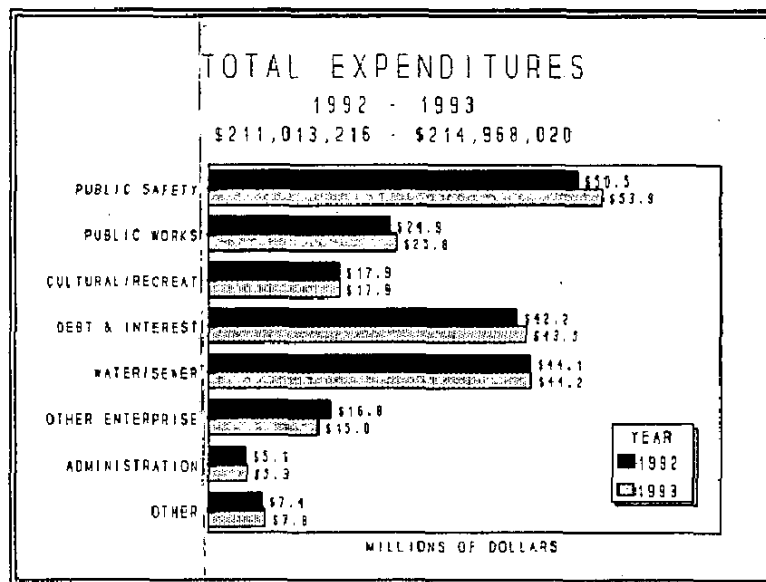
Included in the budget are increased user fees to more equitably place the burden of paying for service on those using and benefiting from the service. Some of the approved increases include court fees (cost recovery), possible rescission of the



15% discount on building permits, increases in Expo Hall rental rates and swimming pool lesson/admission fees, and a ¼% IRB origination fee. The Water/Sewer utility will make a \$400,000 payment to offset the cost of providing public safety services to the facilities and assets of the utility. No water rate increase is anticipated for 1993; the previously approved 10% increase in sewer rates is expected to be sufficient to meet the increasing environmental quality standards. A golf course green fee increase (\$1 per round) is proposed in accordance with the program approved last year.

As the City continues to grow and experience greater demands for services, the stress on City finances will increase. Efforts to reduce costs, and to make services more efficient and responsive will continue. To meet the many desires of adding to and improving our community services/facilities, however, future consideration should be given to new revenue sources, including implementing a food/beverage tax and vehicle rental tax. These sources could be used to support cultural/recreational facilities, or other activities that make Wichita a quality city.

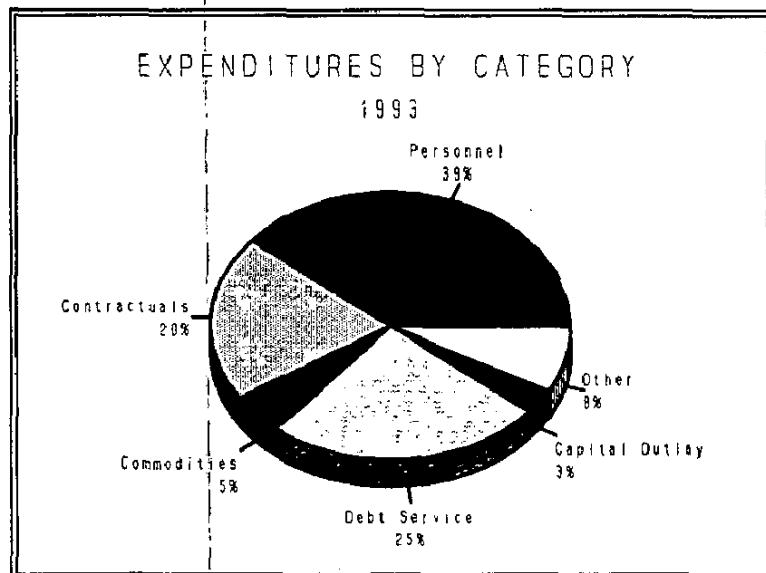
EXPENDITURES: The adopted 1993 expenditure total of \$214,968,20, compares to 1992 expenditures of \$211,013,216. The chart (at right) summarizes 1992 expenditures by program/service group. Public safety represents the single largest expenditure of funds. Debt service, the payment of principal and interest on all outstanding indebtedness of the City and cash for capital projects in-lieu-of-bonding, is the second largest expense item. A significant portion of the contractual expenses represents the City's efforts to contract-out work to the private sector.



The second chart (at right) shows another view of the City's budget, expenditures by category.

Personnel costs represent the largest single expense item, accounting for more than \$98 million (39%) of the total budget (65% of the General Fund). Gross wages and benefits for 1993 reflect an increase of \$5.8 million in the budget, primarily due to wage increases and 15% annual health insurance premium increases.

Discretionary spending (commodities and capital outlay) represents a small portion of the budget.



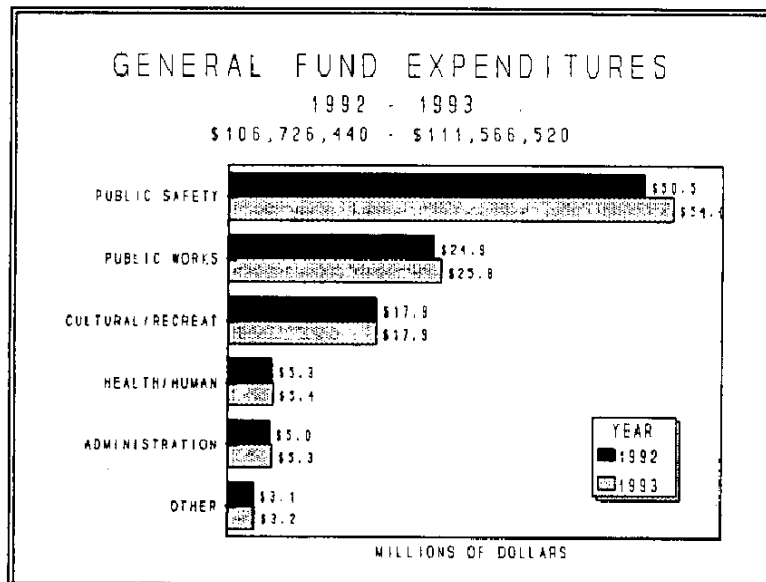
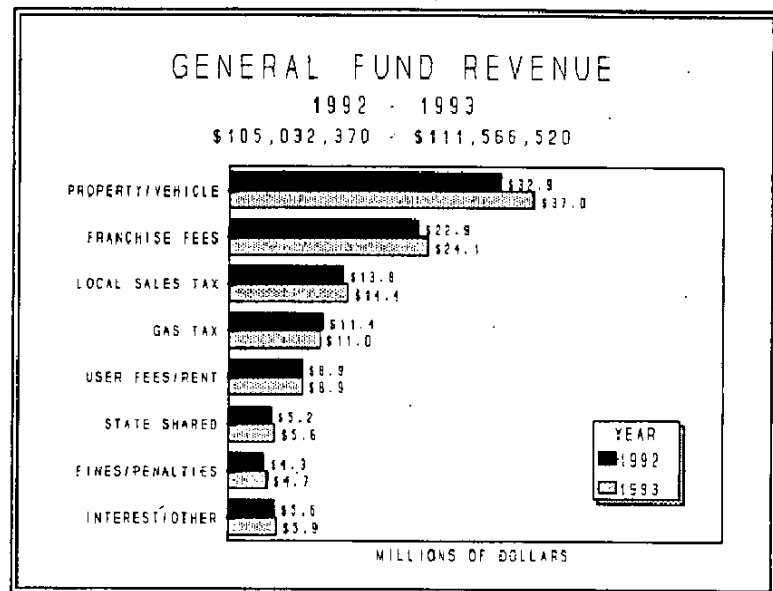
1993 ADOPTED GENERAL FUND BUDGET

The General Fund is the principal operating budget supporting basic municipal programs/services. It is one of two funds directly supported by the property tax.

The total 1993 revenues for the General Fund are projected at \$111,566,520. This amount compares with the 1992 adopted budget of \$105,032,070. A graphic summary of General Fund revenues is shown (at right). The (ad valorem) property tax represents only 29% of total General Fund revenues.

The diversity of the General Fund revenue base also makes it more sensitive to fluctuations in the local economy. This was very apparent over the last two years as projected revenue growth declined (due primarily to the recession) at a time when the General Fund was experiencing higher than normal expenditure pressures.

The adopted General Fund is balanced (estimated annual operating expenditures are equal to estimated revenues). Public safety represents nearly half of all expenditures. A reduction in estimated revenues would require a corresponding reduction in planned expenditures to maintain a balanced budget.



Adopted General Fund expenditures are \$111,566,520, compared with 1992 expenses of \$106,726,440. The increase in expenses is due to the package of public safety enhancements and to employee wage/benefit increases.

In order to overcome the adverse impact of the recession and permit the maximum resources to be directed to public safety, every department was asked to make expenditure cuts. These reductions included numerous mid-management staff positions, consolidation of maintenance activities, reductions in various commodity/capital outlay expenses, and some public service

level reductions. In large part, departments were required to absorb inflationary and other cost increases through cost efficiencies.

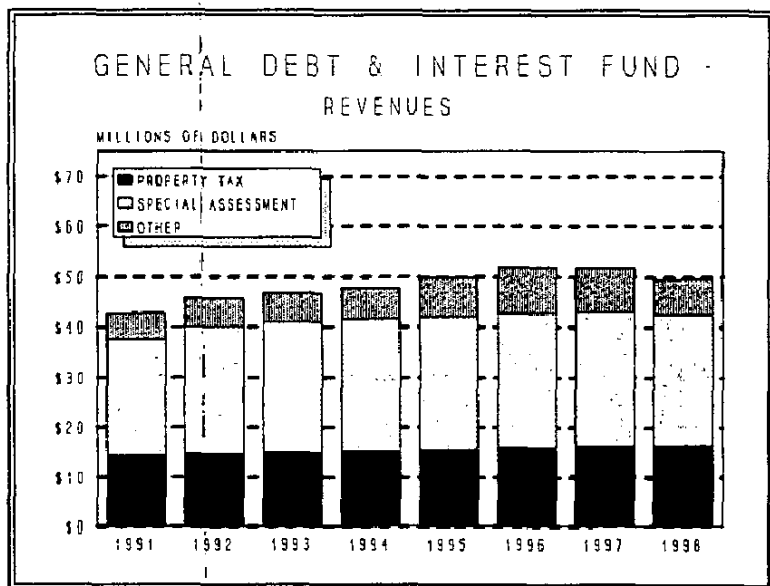
MAJOR GENERAL FUND EXPENDITURE INCREASES

Public Safety Enhancements	\$2,342,680
- Additional Police personnel	
- Two Police Neighborhood Centers	
- Additional Emergency dispatch personnel	
1993 Employee compensation	2,406,500
Increased Library book acquisition	100,000

The General Fund also includes a contingency fund (\$459,000) for expenditures not known nor anticipated at the time of budget preparation. If this amount is exceeded (e.g. storm damage, etc.) the additional cost would be absorbed from reserves. The year-end 1993 General Fund cash/balance is estimated at \$6,149,017, or approximately 5.5%. State law permits maintenance of a 5% unappropriated reserve and 10% appropriated reserve for a total 15% maximum.

GENERAL DEBT & INTEREST FUND

Based on General Obligation capital projects planned in the 1993-2002 CIP, the City is generally in a favorable position to meet its debt financing needs. Property tax support for the General Debt & Interest Fund is reduced to 7.6 mills for 1993 and 8.8 mills for 1994. In 1995, property tax support will return to 10.1 mills or 34% of the total City mill levy. Special assessment-funded projects in new developments continue to be the largest component of the City's GO debt picture. Other GO-related debt includes public facilities (e.g., Expo Hall and Lawrence-Dumont Stadium).



GILBERT & MOSLEY TAX INCREMENT FUND

The tax increment district was established to fund the remediation of groundwater contamination in the Gilbert & Mosley area. The remediation costs not attributable, nor billable, to potentially responsible private parties are covered by the tax increment. Financial projections are based on the earlier preliminary studies. Both the actual costs and private/public sharing of the cost are subject to change after receipt of the results of the pending environmental engineering study (now underway). The projected 1993 tax increment is \$455,810, compared with the \$503,975 increment for 1992.

PENSION FUNDS

The City's two retirement funds continue to perform well. The Wichita Employees' Retirement Fund has been rated among the best public retirement funds in the nation with a decline in outstanding unfunded

liability. For 1993, the City rate of contribution will drop from 11% to 10% of payroll. The Police & Fire Retirement Fund will also experience a .5% drop in the City rate of contribution from 23.3% to 22.8% of payroll.

LOCAL SALES TAX CAPITAL FUND

Based on the Engineer's estimates of construction costs, \$50 million in bonds were issued in October 1992. A revision of the construction financing cash flow, debt requirements, and bond issuance options will be presented to the Council in the near future.

WATER/SEWER FUND

Financial projections on the Water/Sewer utilities are based on new master utility plans and rate projections recently reviewed by the Council. Key trends in both utilities include significant expenditures of accumulated cash balances for one-time capital expenditures (\$12 million in Water and \$6 million in Sewer), which will moderate future rate increases.

TOURISM AND CONVENTION FUND

This fund will begin absorbing an increased share of the Expo Hall operating expenses beginning in 1992 (subject to cash balances in the fund permitting implementation as early as 1992).

METROPOLITAN TRANSIT FUND

The City continues to be faced with the prospect of increasing local tax subsidies for the transit system. Operating revenues (farebox) are projected to grow only 2% in 1992 and 1993 only, then reflect no growth thereafter. Federal grant support of mass transit will decline beginning in 1995. This will leave local tax subsidies as the only recourse to absorb the cost. The local tax subsidy will grow from \$2 million (39% of revenues) in 1992 to \$3.5 million (58% of revenues) by 1997.

SELF-INSURANCE FUND

The Self-Insurance Fund has four separate accounts for health insurance, life insurance, worker's compensation, and general liability. Of particular note among these funds is the continuing escalation of medical insurance premiums and costs, estimated at 15% annually. These costs impact both the health and workers' compensation funds.

PROJECTED BUDGET FOR 1994

The Approved 1994 Budget is \$217,133,860 in expenditures. In the General Fund portion of the 1994 Budget, expenditures are estimated at \$114,728,070. Estimated expenditures include funding the 1993 program/service levels, as well as funding of anticipated medical insurance premium increases and employee compensation adjustments.

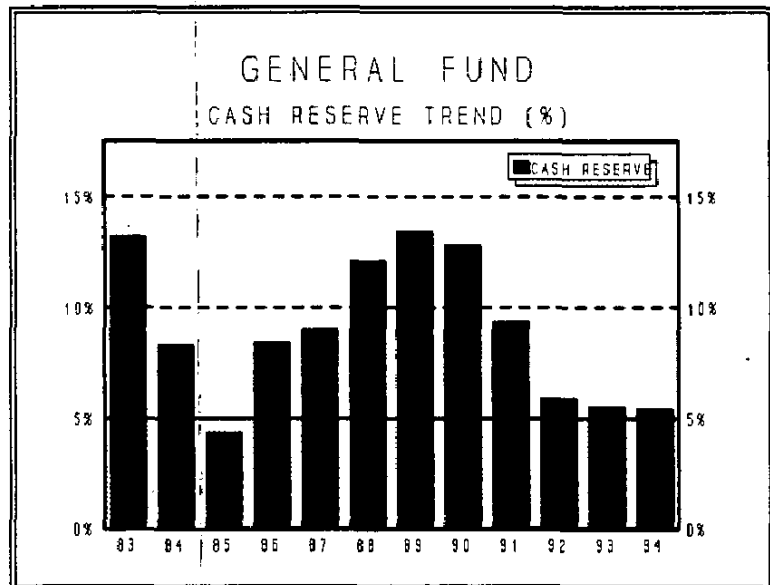
The Approved 1994 Budget uses the adopted (1993) mill levy rate as the basis for projection. Water (4%) and sewer (15%) rate increases, developed as part of the recently completed utility rate study, are anticipated. In Emergency Communications, a new "user-based" cost allocation plan is anticipated, and will require the City, County, and all other local units of government using the emergency dispatch services to fund their proportional shares of the costs (currently the City and County are bearing all these expenses).

CASH RESERVES

Throughout the budget development process, staff was cognizant of the need to project realistic cost estimates and revenue forecasts for future years to ensure financial stability and prevent operating deficits. The 1993 General Fund is projected to have a \$6.1 million cash balance/reserve, or approximately 5.5% of revenues. The importance of maintaining reserves is to properly manage adverse revenue/expenditure changes during the year and to ensure an adequate carryover operating fund balance to avoid sharp increases in the City's mill levy in the future, or cut-back management practices. Projected cash reserves within a 5-10% range should be maintained during the two-year (1993/94) budget period. Given the diversity of the City's revenue base, the General Fund reserve should be maintained as close to the high end of the range as possible. Other funds maintain separate reserves at levels based on the fiscal circumstances of each fund.

The need for a cash reserve was apparent over the past two years (1991-92). The City was able to fund one-time expenses, absorb the impact of lower revenues due to the recession, and pay expenses associated with public safety, protests, and severe weather without indiscriminately reducing support for other important municipal services.

Cash reserves, however, have reached a point where financial flexibility will be severely curtailed unless the downward trend in the cash reserve is reversed. General Fund cash reserves have dropped from more than 12% to only slightly above the minimum 5% threshold in just three years. As a point of reference the chart (above) depicts a 12 year (1983-1994) actual and projected trend in General Fund reserves. The last time that cash reserves dropped below 5% (1985) occasioned a financial crisis necessitating severe public program/service reductions.



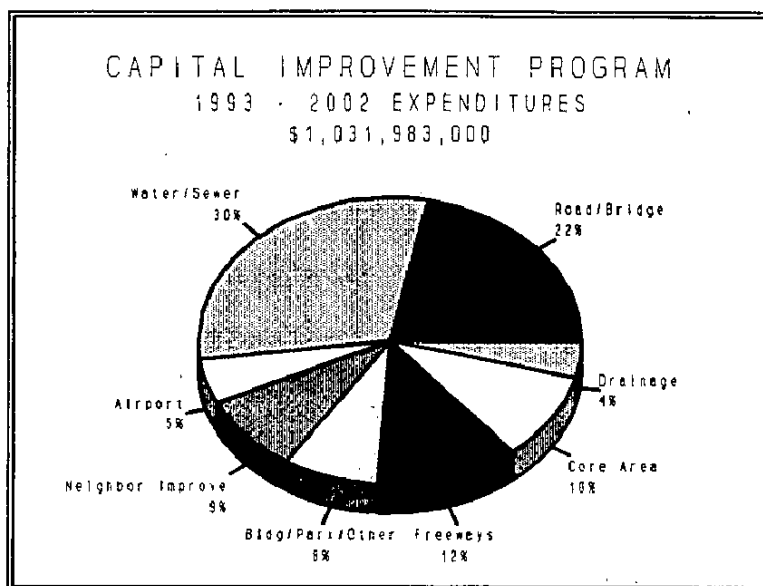
CAPITAL IMPROVEMENT PROGRAM

A new 1993-2002 *Capital Improvement Program* (CIP) is nearing completion. The preparation of the capital budget is following established CIP guidelines adopted by the City Council in tax levy support (7.6 mills) and bond financing terms (either 10- or 15- year debt maturities) for general obligation debt. The CIP is also being developed recognizing several revenue changes by incorporating increased Federal revenues for the arterial roadway program, slightly reduced property tax revenues, and the elimination of special assessment revenues on arterial projects. Overall, the combined impacts of these revenue adjustments are offsetting.

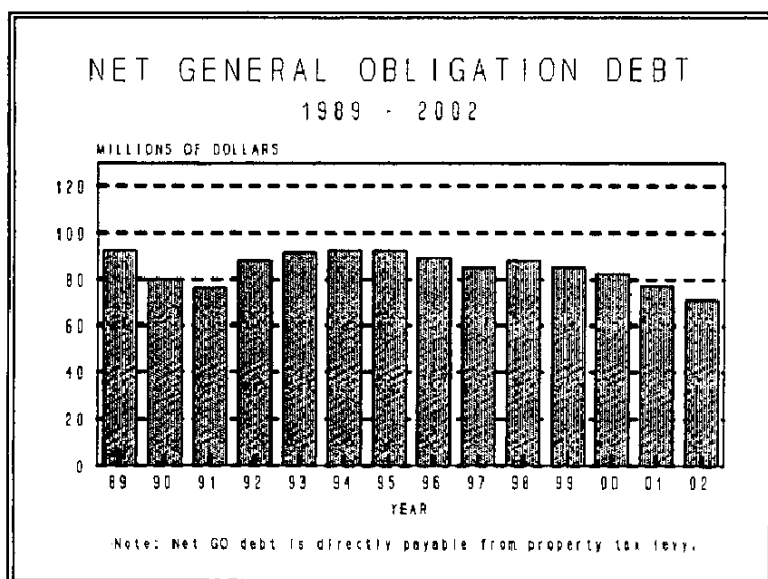
The chart (on the following page) outlines the capital project expenses by category as shown in the current CIP. Based on the earlier projections, the ten-year program is estimated to cost \$1.1 billion. This number is subject to revision as the new CIP is developed and as the specific project schedules

and financing projections come closer to realization.

The CIP project schedule and financial work plan for the ten-year period contemplate no increase over existing tax levy support. Property taxes account for approximately 12% of the ten-year program costs. In addition to (mill levy supported) bonding, revenues to support this program will be principally derived from sales tax, special assessments, utility income, and Federal/State assistance. The program assumes that annual contributions of \$4 million from local sales tax receipts will continue to be allocated to the arterial road/bridge improvement component of the CIP to enhance traffic flow through the City. Should the sales tax allocation be reduced, projected programs will be modified.



Federal/State allocation of highway funds has now been determined. Earlier CIP estimates projected up to \$135 million in Federal/State funding; projects within the City received approximately \$70 million. A review of the local financing options of freeway construction costs is underway. It is apparent that local resources are insufficient to complete construction of the entire Kellogg freeway corridor as originally shown in the CIP document.



General obligation debt outstanding, excluding special assessment and revenue bonds, is scheduled to decrease during the program period. This reduction is from a projected \$92.2 million indebtedness (\$314/capita) in 1989 to \$53.7 million (\$173/per capita) in 2006. The chart (at left) shows the projected level of bonded indebtedness (including the impact of new debt to be issued during the period).

The CIP provides for the option to reduce the issuance of general obligation bonds for annually recurring capital projects beginning

in 1998. At that time, the City could utilize savings in debt service to begin financing capital projects on a "pay-as-you-go" basis, or utilize the future debt capacity to fund increased bond issuance.

Detailed information on the Capital Improvement Program is available in the current 1992-2001 CIP document, and will be updated as the 1993-2002 CIP is published in the near future.

BUDGET DEVELOPMENT AND ADMINISTRATION

The preparation of the Adopted 1993/94 Budget is the product of a team approach. Each department was first asked to submit a "base budget" which sought to hold the line on all expenditure increases except for demonstrable and mandatory increases. A Budget Review Cabinet, comprised of management representatives from various departments, was used to work with Finance staff and the City Manager's Office in evaluating departmental requests. Important elements of the budget development guidelines were the relationship of the proposed expenditures to the *Strategic Agenda*, and identification of opportunities for consolidation, privatization, and economies/efficiencies.

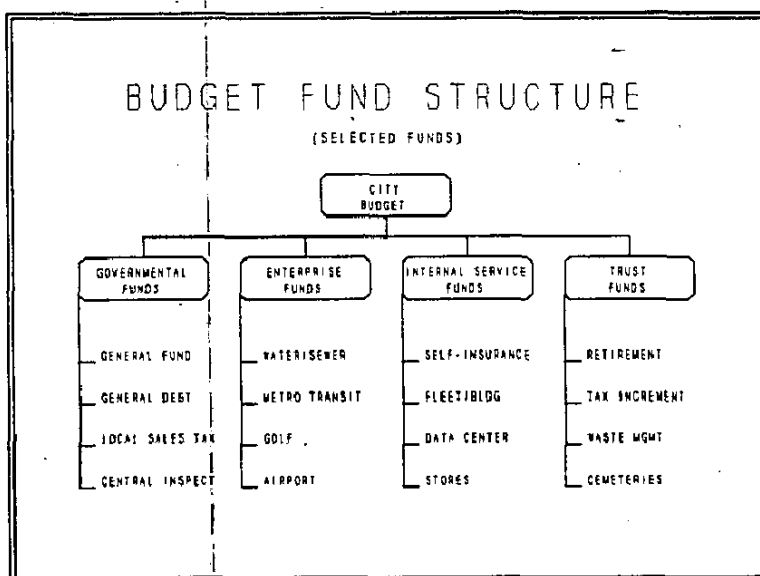
The budget establishes appropriation and expenditure levels. It is quite normal for "actual" expenditures to be below "budgeted" expenditures by year-end. Organizations often anticipate a level of such expenditure savings in their budget development. In the past, the City has included a 1.5% "planned expenditure savings" in the General Fund. This expenditure savings estimate is included in the 1993/94 Budget at a 1% level and is divided among all departments so that every department accepts the responsibility/accountability for budget management.

BUDGET FORMAT

The hallmark of City Staff efforts to revise the budget format has been the emphasis on multi-year financial planning. Prior to development of the budget process, a six-year budget projection is submitted as the *Financial Plan*. Encompassed within the *Financial Plan* are forecasts of revenues and expenditures. Staff has sought the assistance of Wichita State University faculty to refine these forecasts, so that they are specific, detailed and based on empirical research.

It is also important to recognize that public finance involves "fund" budgeting. The Budget for the City is not singular, but is made up of more than two dozen separate budgets (or funds). Each of these budgets (funds) serves a specific purpose for which the funds are appropriated, and the transfer of monies among funds is limited to specific intent.

The chart (at right) provides a graphic representation of the fund structure of the City Budget. Although it is not possible to entirely eliminate the governmental fund structure, efforts have led to a consolidation of funds (e.g., some dozen property tax-supported funds have now been consolidated into the General Fund). This fund consolidation emphasizes a goal of improved cost accounting (and cost recovery where appropriate) for each program, and permits the City Council the greatest degree of financial flexibility in policy making.



The 1993/94 Budget has also been developed so that fund/account descriptions and budget amounts correspond to the *Comprehensive*

Annual Financial Report (CAFR). This format permits more direct comparison of budget allocations and expenditures, consistent with governmental accounting standards. Finally, the City maintains a detailed monthly reporting on total budget revenues/expenses (including a quarterly projection of budget status to year end) to keep the City Council apprised on the condition of the budget.

IMPROVING AND ECONOMIZING OPERATIONS

The budget continues to focus on ways to reduce costs and do more with less. For 1993, departments were particularly asked to absorb all but a few inflationary costs in contractual, commodities, and capital outlay accounts through the "base budget" directive.

New and innovative management techniques must be developed and skillfully applied if the City is to continue to provide responsive municipal programs/services at a reasonable cost to the public. Several departments have identified ways and means to secure additional revenue to offset new expenses. Others have applied to the "Savings Incentive Program," which was established in 1990 to "lend" money to departments that can implement cost efficiencies and recover start-up expenses from the savings in annual operating expenses.

Increased efficiency through modification in the organizational structure of City government, purchase of labor-saving equipment and implementation of new, and less costly, methods to provide services are ways in which the City can substantially reduce or stabilize costs to keep City services within the desired budget limitations. A few of the areas under study and/or implementation include:

- [a] Continue work to address the Privatization Task Force recommendations to evaluate services for the most economical approach to service delivery, including contracting/privatization.
- [b] Continue and expand the use of performance measurement and service level indicators for problem identification, resource allocation, and improvement of service effectiveness and productivity.
- [c] Expand efforts in grantsmanship by actively pursuing Federal/State assistance to improve and revitalize downtown areas, housing, streets, public safety, parks, and cultural programs.
- [d] Initiate a Library branch operations study to identify more efficient means of service delivery prior to further branch library relocations.
- [e] Study the management and organization of Central Inspection, and other inspection services to increase efficiency and responsiveness of inspection services through consolidation.
- [f] Implement a consolidation of Park and Public Works facility/equipment maintenance operations to provide an improved service level at a reduced cost.
- [g] Implement a consolidation of Park and Public Works parks, rights-of-way, and weed mowing programs to provide an improved service level at a reduced cost.
- [h] Continue the review of Municipal Court administrative operations to ensure efficient use of personnel and proper financial controls.
- [i] Explore feasibility of automated parking citations and parking enforcement to reduce costs and improve detection of stolen and improperly registered or licensed vehicles.

COUNCIL POLICY DETERMINATIONS

The annual budget is a policy document for the City Council - the point when the governing body is asked to approve a level of public programs and services as well as the revenue and taxing policies to support those services for the coming year. Accordingly, the City Council was requested to provide guidance/direction on many revenue and expenditure policy issues in the 1993/94 Budget, including the following:

REVENUES

- (1) Property Tax - The current (29.6 mill) City property tax levy will not increase for the 1993 Budget. The 2.5 mills in tax support needed to fund public safety enhancements were provided by a (temporary) reduction in tax-support for debt service/capital projects.
- (2) Water Fee - Beginning in 1993, the City's enterprise activities will begin to contribute funds for public safety protection these enterprise facilities receive. Imposition of such a fee will offset the current and future costs for public safety services. A charge against the Water/Sewer Utility was adopted for 1993/94 in the amount of \$400,000 (this amount is still less than the value of public safety protection provided to the Utility's facilities).
- (3) Court Fines/Penalties - It is recognized that the court system is not a profit center. Reasonable cost recovery of services, however, is a legitimate goal. Concurrent with the budget process, a Staff report was presented proposing increases in court fines and fees commensurate with other comparable regional and local court systems.
- (4) Central Inspection Fee Discount - To support Central Inspection operational costs and maintain a minimum reserve, the 15% discount on building permit fees will be reviewed.

EXPENDITURES

- (1) Public Safety Enhancement - The "1993 Public Safety Enhancement" package requires more than \$2.6 million (\$2.3 million in local funding) if all elements of the package were to be implemented. The package adopted by the City Council included increases in Police commissioned and civilian personnel to increase Police response times to emergency calls; funding for two new Police Neighborhood Centers to increase Police visibility in at-risk neighborhoods; and the addition of Emergency dispatch personnel to improve citizen call-answering services.
- (2) Library Book Acquisitions - In one important area of the cultural quality of the community (library book acquisitions), it was apparent that price increases were rapidly eroding the buying power of the already-limited Library book budget. Accordingly, a \$100,000 (20%) increase in this single item was adopted.
- (3) Branch Libraries - The library has eleven branches, higher than the average of other library systems, but the quality of some branches is questionable. The adopted budget includes funding for a branch relocation, pending completion of a branch location study to determine the future direction in branch library consolidation/relocation.
- (4) Reductions - Numerous budget reductions were made in all City departments as part of the efforts to maintain a balanced budget and fund critical public safety needs.

CONCLUSION

A number of budget goals and strategies were established to guide the formulation of the Adopted 1993/94 Budget. Some of these included:

- Address the community need to increase public safety services.
- Maintain and improve quality of other important services.
- Implement strategic agenda improvements.
- Increase efficiency/economy in City services/operations.
- Explore alternative delivery of public services.
- Examine organizational structures/staffing.
- Maintain operating reserves.

The Adopted 1993/94 Budget addresses these goals/strategies, and continues to maintain the City's financial stability while addressing critical needs and essential services. The budget presents a balanced program of services and makes a rigorous effort to control costs while providing for quality programs and services important to the citizens of Wichita.

Respectfully submitted,



Chris Cherches
City Manager

ACKNOWLEDGEMENTS: Formulating and preparing a budget document of this kind is the result of countless hours of work by many individuals. Department Heads (and their Staffs) worked diligently and are commended for their efforts. The Budget Review Cabinet did an exemplary job in evaluating budget requests. Special thanks and appreciation are extended to the Finance Staff for their long hours and hard work: Ray Trail, Kelly Carpenter, Barbara Ciboski, Rob Raine, Bob Lancaster, Tony Zimbelman, Toni Johnston, Lori Winningham, and Kathy Pewewardy.

CITY OF WICHITA 1993 / 94 ANNUAL BUDGET

ALL FUNDS SUMMARY OF FINANCING SOURCES 1991 TO 1994
(Excluding Local Sales Tax Capital Improvement Fund, and Enterprise Construction Funds)

SOURCES BY TYPE	1991 ACTUAL	1992 ADOPTED	1992 REVISED	1993 ADOPTED	1994 APPROVED
General Property Taxes	41,784,045	42,541,310	42,796,080	43,432,440	46,100,670
Motor Vehicle Tax	7,100,057	7,311,390	7,550,000	7,236,420	7,695,250
Local Sales Tax	13,371,455	13,806,130	13,691,000	14,351,000	14,774,000
Gas Tax	10,047,132	11,398,500	10,649,300	10,984,000	11,308,160
Franchise Fees	22,065,768	22,893,990	22,883,640	24,099,290	25,121,300
Water/Sewer Utility Fees	39,536,868	40,577,210	42,043,000	44,780,000	47,110,000
Other Enterprise Fees	14,157,188	15,040,730	13,424,500	14,241,000	14,452,190
Internal Service Revenues	21,813,748	22,595,240	22,451,160	24,357,080	26,115,940
Special Assessments	23,067,800	24,460,290	25,537,260	24,138,140	24,634,620
Operating Grants/Shared Revenue	8,423,594	8,639,370	8,597,670	9,378,020	9,404,100
Transient Guest Tax	2,782,552	2,721,230	2,774,780	2,885,770	3,001,200
Fines and Penalties	3,316,549	4,302,530	3,906,700	4,723,000	4,864,000
Interest Earnings	7,384,390	7,023,790	6,585,590	6,134,560	6,340,480
Charges for Services	6,366,307	6,868,820	6,856,830	6,899,450	7,045,090
Other Revenues	14,220,091	15,025,450	15,118,630	16,183,980	15,931,000
Appropriated Surplus	3,947,799	4,629,080	7,696,827	5,766,665	715,540
GRAND TOTAL SOURCES	\$239,385,343	\$249,835,060	\$252,562,967	\$259,590,815	\$264,613,540
Interfund Transactions	(29,853,976)	(30,475,370)	(31,136,010)	(33,579,700)	(35,322,990)
NET FINANCING SOURCES	\$209,531,367	\$219,359,690	\$221,426,957	\$226,011,115	\$229,290,550

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CITY OF WICHITA 1993 / 94 ANNUAL BUDGET

ALL FUNDS SUMMARY OF EXPENDITURES 1991 TO 1994

(Excluding Local Sales Tax Capital Improvement Fund and Enterprise Construction Funds)

EXPENDITURES BY FUND	1991 ACTUAL	1992 ADOPTED	1992 REVISED	1993 ADOPTED	1994 APPROVED
General Fund	\$102,430,493	\$107,674,346	\$107,024,760	\$111,566,520	\$114,939,730
Debt Service	40,869,404	42,241,050	47,568,440	43,711,900	41,798,290
Subtotal tax levy funds	143,299,897	149,915,396	154,593,200	155,278,420	156,738,020
Tourism and Convention	2,859,078	2,995,940	3,141,737	3,182,870	3,043,930
Special Alcohol Programs	695,239	726,380	738,970	1,049,090	858,770
Special Parks and Recreation	759,170	704,790	713,630	872,280	842,920
Landfill/Waste Management	1,081,600	1,567,130	1,291,000	1,193,100	1,194,030
Central Inspection	2,983,062	3,296,180	3,223,520	3,394,350	3,334,360
Subtotal special revenue funds	8,378,149	9,290,420	9,108,857	9,691,690	9,274,010
Airport Authority	11,810,102	11,998,510	11,069,350	9,875,130	10,033,030
Golf Course System	1,691,827	1,697,480	1,764,550	1,902,140	1,909,080
Metropolitan Transit Authority	4,849,216	5,222,050	5,224,480	5,339,420	5,392,290
Sewer Utility	15,536,523	18,182,870	16,872,710	19,478,340	20,529,690
Water Utility	18,418,669	25,873,770	23,566,510	24,419,640	24,381,170
Subtotal enterprise funds	52,306,337	62,974,680	58,497,600	61,014,670	62,245,260
Data Center	2,492,353	2,446,660	3,056,320	2,734,440	2,007,340
Fleet and Buildings	6,134,464	6,784,740	6,810,770	6,856,760	6,958,430
Self Insurance Fund	10,595,881	14,572,040	14,096,770	15,503,870	17,370,860
Telecommunications	302,841	265,830	323,030	258,470	263,560
Stationery Stores	944,923	639,260	639,160	711,410	719,340
Subtotal internal service funds	20,470,462	24,708,530	24,926,050	26,064,950	27,319,530
GROSS EXPENDITURES	224,454,845	246,889,026	247,125,707	252,049,730	255,576,820
Interfund transactions	(30,362,843)	(35,875,810)	(35,103,187)	(37,081,710)	(38,442,960)
TOTAL ANNUAL BUDGET USES	\$194,092,002	\$211,013,216	\$212,022,520	\$214,968,020	\$217,133,860
INCL. APPROPRIATED BALANCE					

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CITY OF WICHITA 1993 / 94 ANNUAL BUDGET

SUMMARY OF EXPENDITURES BY MAJOR CATEGORY 1991 TO 1994

(Excluding Local Sales Tax Capital Improvement Fund and Enterprise Construction Funds)

CATEGORY	1991 ACTUAL	1992 ADOPTED	1992 REVISED	1993 ADOPTED	1994 APPROVED
Salaries and Wages	\$67,774,904	\$71,912,450	\$71,793,180	\$75,248,150	\$78,592,470
Employee Benefits	21,756,198	22,088,320	24,497,910	23,165,190	24,554,890
Subtotal Personnel	89,531,102	94,000,770	96,291,090	98,413,340	103,147,360
Contractual Services	43,054,426	48,027,980	47,769,660	51,079,780	52,893,860
Commodities	12,092,493	12,289,650	12,629,150	12,656,200	12,850,270
Capital Outlay	2,991,474	9,257,990	3,705,330	6,718,580	6,482,580
Transfers-out	13,994,459	8,245,260	20,387,920	14,843,520	14,936,690
Debt Service	55,522,329	60,363,340	60,080,677	62,660,200	60,091,220
Other	7,268,562	14,704,036	6,261,880	5,678,110	5,174,840
Total Gross Expenditures	224,454,845	246,889,026	247,125,707	252,049,730	255,576,820
Interfund Transactions	(30,362,843)	(35,875,810)	(35,103,187)	(37,081,710)	(38,442,960)
Total Expenditures	\$194,092,002	\$211,013,216	\$212,022,520	\$214,968,020	\$217,133,860

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